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(Original Signature of Member)

107TH CONGRESS
1ST SESSION

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

Mr. LAFALCE (for himself, Mr. KANJORSKI, Mr. FRANK, Ms. WATERS, Mr. TOWNS, Mr. DINGELL, and Mr. MARKEY) introduced the following bill;
which was referred to the Committee on

A BILL

To amend the Securities Exchange Act of 1934 to reduce
fees on securities transactions.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Fairness in Securities
5 Transactions Act”.



1 **SEC. 2. IMMEDIATE FEE REDUCTION.**

2 Section 31 of the Securities Exchange Act of 1934
3 (15 U.S.C. 78ee) is amended by striking “1/300 of one
4 percent” each place it appears and inserting “1/500 of one
5 percent”.

6 **SEC. 3. REVISION OF SECURITIES TRANSACTION FEE PRO-**
7 **VISIONS; ADDITIONAL FEE REDUCTIONS.**

8 (a) POOLING AND ALLOCATION OF COLLECTIONS.—
9 Section 31 of the Securities Exchange Act of 1934 (15
10 U.S.C. 78ee) is further amended—

11 (1) in subsection (b)—

12 (A) by striking “Every” and inserting
13 “Subject to subsection (i), each”; and

14 (B) by striking the last sentence;

15 (2) by striking subsection (c);

16 (3) in subsection (d)—

17 (A) by striking paragraphs (2) and (3);

18 (B) by striking the following:

19 “(d) OFF-EXCHANGE TRADES OF LAST-SALE-RE-
20 PORTED SECURITIES.—

21 “(1) COVERED TRANSACTIONS.—Each national
22 securities”

23 and inserting the following:

24 “(c) OFF-EXCHANGE TRADES OF EXCHANGE REG-
25 ISTERED AND LAST-SALE-REPORTED SECURITIES.—Sub-
26 ject to subsection (i), each national securities”;



1 (C) by inserting “registered on a national
2 securities exchange or” after “security futures
3 products)”;

4 (D) by striking “, excluding any sales for
5 which a fee is paid under subsection (c)”;

6 (4) by redesignating subsections (e) through (h)
7 as subsections (d) through (g), respectively;

8 (5) in subsection (e) (as redesignated by para-
9 graph (4)), by striking “(b), (c), and (d)” and in-
10 serting “(b) and (c)”;

11 (6) by adding at the end the following new sub-
12 section:

13 “(h) DEPOSIT OF FEES.—

14 “(1) OFFSETTING COLLECTIONS.—Fees col-
15 lected pursuant to subsections (b) and (c) for any
16 fiscal year—

17 “(A) shall be deposited and credited as off-
18 setting collections to the account providing ap-
19 propriations to the Commission, except that the
20 amount so deposited and credited for fiscal
21 years 2007 through 2011 shall not exceed the
22 target offsetting collection amount for such fis-
23 cal year; and



1 “(B) shall not be collected for any fiscal
2 year except to the extent provided in advance in
3 appropriation Acts.

4 “(2) GENERAL REVENUES.—Fees collected pur-
5 suant to subsections (b) and (c) for fiscal years
6 2007 through 2011 in excess of the amount depos-
7 ited and credited as offsetting collections pursuant
8 to paragraph (1) for such fiscal year shall be depos-
9 ited and credited as general revenue of the Treasury.
10 No fees collected pursuant to such subsections for
11 fiscal years 2002 through 2006, fiscal year 2012, or
12 any succeeding fiscal year shall be deposited and
13 credited as general revenue of the Treasury.”.

14 (b) ADDITIONAL REDUCTIONS OF FEES.—

15 (1) AMENDMENT.—Section 31 of the Securities
16 Exchange Act of 1934 (15 U.S.C. 78ee) is further
17 amended by adding after subsection (h) (as added
18 by subsection (a)(6)) the following new subsections:

19 “(i) RECAPTURE OF PROJECTION WINDFALLS FOR
20 FURTHER RATE REDUCTIONS.—

21 “(1) ANNUAL ADJUSTMENT.—For each of the
22 fiscal years 2003 through 2011, the Commission
23 shall by order adjust each of the rates applicable
24 under subsections (b) and (c) for such fiscal year to
25 a uniform adjusted rate that, when applied to the



1 baseline estimate of the aggregate dollar amount of
2 sales for such fiscal year, is reasonably likely to
3 produce aggregate fee collections under this section
4 that are equal to the sum of—

5 “(A) the target offsetting collection
6 amount for such fiscal year; and

7 “(B) the target general revenue amount
8 for such fiscal year.

9 “(2) FINAL RATE ADJUSTMENT.—For fiscal
10 year 2012 and all of the succeeding fiscal years, the
11 Commission shall by order adjust each of the rates
12 applicable under subsections (b) and (c) for all of
13 such fiscal years to a uniform adjusted rate that,
14 when applied to the baseline estimate of the aggregate
15 dollar amount of sales for fiscal year 2012, is
16 reasonably likely to produce aggregate fee collections
17 under this section in fiscal year 2012 equal to the
18 target offsetting collection amount for fiscal year
19 2011.

20 “(3) LIMITATION ON RATE ADJUSTMENT.—
21 Notwithstanding paragraphs (1) and (2), no ad-
22 justed rate established under this subsection for any
23 fiscal year shall exceed the rate that would otherwise
24 be applicable under subsections (b) and (c) for such
25 fiscal year.



1 “(4) REVIEW AND EFFECTIVE DATE.—An ad-
2 justed rate prescribed under paragraph (1) or (2)
3 and published under subsection (g) shall not be sub-
4 ject to judicial review. Subject to subsections
5 (h)(1)(B) and (j), an adjusted rate prescribed under
6 paragraph (1) shall take effect on the first day of
7 the fiscal year to which such rate applies and an ad-
8 justed rate prescribed under paragraph (2) shall
9 take effect on the first day of fiscal year 2012.

10 “(j) LAPSE OF APPROPRIATION.—If on the first day
11 of a fiscal year a regular appropriation to the Commission
12 has not been enacted, the Commission shall continue to
13 collect fees (as offsetting collections) under subsections (b)
14 and (c) at the rate in effect during the preceding fiscal
15 year, until such a regular appropriation is enacted.

16 “(k) DEFINITIONS.—For purposes of this section:

17 “(1) TARGET OFFSETTING COLLECTION
18 AMOUNT.—The target offsetting collection amount is
19 an amount equal to—

20 “(A) \$976,000,000 for fiscal year 2002;

21 “(B) \$1,132,000,000 for fiscal year 2003;

22 “(C) \$1,370,000,000 for fiscal year 2004;

23 “(D) \$1,627,000,000 for fiscal year 2005;

24 “(E) \$1,913,000,000 for fiscal year 2006;

25 “(F) \$1,110,000,000 for fiscal year 2007;



1 “(G) \$1,144,000,000 for fiscal year 2008;

2 “(H) \$1,327,000,000 for fiscal year 2009;

3 “(I) \$1,523,000,000 for fiscal year 2010;

4 and

5 “(J) \$1,745,000,000 for fiscal year 2011.

6 “(2) TARGET GENERAL REVENUE AMOUNT.—

7 The target general revenue amount is an amount
8 equal to—

9 “(A) zero for each of the fiscal years 2002
10 through 2006;

11 “(B) \$463,000,000 for fiscal year 2007;

12 “(C) \$449,000,000 for fiscal year 2008;

13 “(D) \$500,000,000 for fiscal year 2009;

14 “(E) \$551,000,000 for fiscal year 2010;

15 and

16 “(F) \$614,000,000 for fiscal year 2011.

17 “(3) BASELINE ESTIMATE OF THE AGGREGATE

18 DOLLAR AMOUNT OF SALES.—The baseline estimate

19 of the aggregate dollar amount of sales for any fiscal

20 year is the baseline estimate of the aggregate dollar

21 amount of sales of securities (other than bonds, de-

22 bentures, other evidences of indebtedness, and secu-

23 rity futures products) to be transacted on each na-

24 tional securities exchange and by or through any

25 member of each national securities association (oth-



1 erwise than on a national securities exchange) dur-
2 ing such fiscal year as determined by the Congres-
3 sional Budget Office in making projections pursuant
4 to section 257 of the Balanced Budget and Emer-
5 gency Deficit Control Act of 1985 and as contained
6 in the projection required to be made in March of
7 the preceding fiscal year.”.

8 (2) CONFORMING AMENDMENT.—Section 31(g)
9 of such Act is amended by inserting before the pe-
10 riod at the end the following: “not later than April
11 30 of the fiscal year preceding the fiscal year to
12 which such rate applies”.

13 **SEC. 4. PAY PARITY PROVISIONS.**

14 (a) SECURITIES AND EXCHANGE COMMISSION EM-
15 PLOYEES.—Section 4(b) of the Securities Exchange Act
16 of 1934 (15 U.S.C. 78d(b)) is amended—

17 (1) by striking paragraphs (1) and (2) and by
18 inserting the following:

19 “(1) APPOINTMENT, COMPENSATION, AND BEN-
20 EFITS.—

21 “(A) IN GENERAL.—The Commission may
22 appoint and fix the compensation of such offi-
23 cers, attorneys, economists, examiners, and
24 other employees as may be necessary for car-
25 rying out its functions under this Act.



1 “(B) RATES OF PAY.—Rates of basic pay
2 for all employees of the Commission may be set
3 and adjusted by the Commission without regard
4 to the provisions of chapter 51 or subchapter
5 III of chapter 53 of title 5, United States Code.

6 “(C) ADDITIONAL COMPENSATION AND
7 BENEFITS.—The Commission may provide addi-
8 tional compensation and benefits to employees
9 of the Commission if the same type of com-
10 pensation or benefits are then being provided by
11 any agency referred to under section 1206 of
12 the Financial Institutions Reform, Recovery,
13 and Enforcement Act of 1989 or, if not then
14 being provided, could be provided by such an
15 agency under applicable provisions of law, rule,
16 or regulation.

17 “(2) INFORMATION; COMPARABILITY.—In es-
18 tablishing and adjusting schedules of compensation
19 and additional benefits for employees of the Com-
20 mission, which are to be determined solely by the
21 Commission under this subsection, the
22 Commission—

23 “(A) shall consult with and inform the
24 heads of the agencies referred to under section



1 1206 of the Financial Institutions Reform, Re-
2 covery, and Enforcement Act of 1989;

3 “(B) shall inform the Congress of such
4 compensation and benefits; and

5 “(C) shall seek to maintain comparability
6 with such agencies regarding compensation and
7 benefits.”.

8 (b) TECHNICAL AMENDMENTS.—

9 (1) Section 3132(a)(1) of title 5, United States
10 Code, is amended—

11 (A) in subparagraph (C), by striking “or”
12 after the semicolon;

13 (B) in subparagraph (D), by inserting ‘or’
14 after the semicolon; and

15 (C) by adding at the end of the following:

16 “(E) the Securities and Exchange Commis-
17 sion.”.

18 (2) Section 5373(a) of title 5, United States
19 Code, is amended—

20 (A) in paragraph (2), by striking “or”
21 after the semicolon;

22 (B) in paragraph (3), by striking the pe-
23 riod and inserting “; or”; and

24 (C) by adding at the end the following:



1 “(4) section 4(b) of the Securities Exchange
2 Act of 1934.”.

3 **SEC. 5. EFFECTIVE DATES.**

4 (a) FEE PROVISIONS.—The amendments made by
5 sections 2 and 3 of this Act shall take effect on October
6 1, 2001.

7 (b) PAY PARITY.—

8 (1) IN GENERAL.—Except as provided in para-
9 graph (2), the amendments made by section 4 shall
10 take effect on the date of enactment of this Act.

11 (2) EXCEPTION.—The amendments made by
12 section 4(b)(1) shall take effect as of such date as
13 the Securities and Exchange Commission shall (by
14 order published in the Federal Register) prescribe,
15 but in no event later than 1 year after the date of
16 enactment of this Act.

